

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to consider Ameritech Michigan's compliance) Case No. U-11104
with the competitive checklist in Section 271)
of the Telecommunications Act of 1996.)
_____)

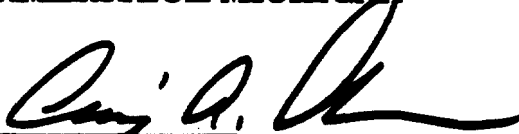
AMERITECH MICHIGAN'S SUBMISSION OF INFORMATION

Pursuant to the Commission's August 28, 1996 Order establishing procedures in this docket, Ameritech Michigan¹ hereby submits information related to general telecommunications market conditions in Michigan pursuant to Attachment A to that Order.

The attached response by Ameritech Michigan to Attachment A relating to general telecommunications market conditions in Michigan reflects the most current information available to Ameritech Michigan. It also attempts to provide a complete picture of the telecommunications market conditions in this state. Ameritech Michigan intends to revise and supplement the information submitted to the Commission as additional information becomes available.

Respectfully submitted,

AMERITECH MICHIGAN



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¹Michigan Bell Telephone Company, a Michigan corporation, is a wholly owned subsidiary of Ameritech Corporation, which owns the former Bell operating companies in the states of Michigan, Illinois, Wisconsin, Indiana, and Ohio. Michigan Bell offers telecommunications services and operates under the names "Ameritech" and "Ameritech Michigan" (used interchangeably herein), pursuant to assumed name filings with the state of Michigan.

**AMERITECH MICHIGAN'S RESPONSES
TO ATTACHMENT A**

**MPSC Case No. U-11104
November 12, 1996**

INTRODUCTION

In order to place into context its response to the specific questions listed in Attachment A of the Commission's August 28, 1996 order, Ameritech Michigan¹ respectfully submits the following general comments concerning the current telecommunications marketplace in Michigan.

Since divestiture, there has been increasing competitive entry into the telecommunications marketplace in Michigan. Interexchange carriers (IXCs), like AT&T, MCI, and Sprint, were granted certificates of intraLATA interexchange authority in the mid-1980s. Today, literally hundreds of providers are offering interexchange services, both on a facilities and resale basis. More recently, new entrants have been seeking licenses to provide competitive local exchange services, as well.

Because of the progressive policies of this Commission and the Michigan Legislature toward competition, Michigan is one of the most active jurisdictions in the country in terms of local exchange entry. For example, this Commission, in its review of telecommunications regulation in Michigan on its own motion in Case No. U-9316, thoroughly examined the status of the telecommunications marketplace in Michigan. The Commission's October 1, 1990

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order in that docket provided one of the important foundations for the Michigan Legislature's subsequent efforts.

The passage of the original Michigan Telecommunications Act (MTA) in 1991 was a monumental leap forward in the transition to a competitive environment in telecommunications. This Commission subsequently issued a series of orders implementing the MTA, thereby making not only long distance, but local competition a reality in the state.

Most recently, the Michigan Legislature's procompetitive amendments to the MTA enacted late last year were a further step toward full and fair competition in all aspects of the telecommunications marketplace. The MTA amendments were out in front, in many respects, of the Federal Telecommunications Act of 1996 (federal Act) enacted by Congress earlier this year.

As will be demonstrated by the answers to the Commission's specific inquiries, local competition exists in Michigan today. However, the only way full and fair competition in all aspects of the telecommunications marketplace will ultimately be achieved, where efficient providers will succeed and where customers can reap the benefits of competition, is if all participants are permitted to offer a full range of services to their customers. Conversely, full and fair competition cannot be achieved if large interexchange carriers are permitted to offer a full range of services, while providers such as Ameritech Michigan are artificially constrained from participation.

Ameritech Michigan believes that the driving force behind the rapid entry of new providers into the local exchange marketplace is the increasing demand of customers for services that meet their specific needs. In order to meet these needs, the telecommunications marketplace is evolving toward full service offerings, or "one-stop shopping," for services. At divestiture, telecommunications service provisioning was splintered between different provider groups.

Interexchange carriers like AT&T, MCI, and Sprint were the providers of long distance (i.e., interLATA) services. Local exchange companies, like the RBOCs and the independent telephone companies, were the providers of local (i.e., intraLATA) services. Customer premises equipment was provided by another group of companies, which overlapped only in part with either the IXCs or the local exchange companies (e.g., AT&T, Rolm, Northern Telecom, and various retail outlets). Value-added services, like voice mail bureaus, were provided by yet another group of companies, such as Octel.

Although these arrangements may have served the objectives of the policymakers and other interested parties at divestiture (e.g., AT&T's competitors), consumers were less enthusiastic. The new industry structure required every consumer to establish relationships with at least three different providers – a local exchange company, a long distance company, and a CPE provider. The responsibility for integrating these decisions fell on consumers, many of whom had no desire to undertake this task. Responsibility for service problems was not clearly the province of any one provider, thus leading to frustrating rounds of finger-pointing between the CPE companies and telecommunications carriers and between local and interexchange carriers.

Another factor driving toward full service offerings is the dramatic change in the way long distance calling services are now being marketed to customers. At divestiture, most customers were served under conventional usage tariffs, where calls were paid for under average schedules on a per-call basis. Carriers in the long distance marketplace now offer a wide variety of residence and business calling plans which provide discounts off of tariffed rates in exchange for volume and term commitments. The IXCs are actively marketing plans which permit customers to combine their interLATA and longer haul intraLATA usage under a single schedule. This permits customers to apply their interLATA usage

discount to their intraLATA usage as well. In addition, by adding intraLATA usage to the long distance plan, customers often qualify for a higher discount overall on both intraLATA and interLATA calling. Customers also obtain the administrative convenience of having all of their "toll" usage charges on one bill, and business customers can apply the sophisticated billing options provided by their long distance carrier to such usage.

Full service offerings are the next stage of this evolution. Customers generally want one carrier to serve all of their needs, ranging from the provision of local dial tone to international services. Full service providers will provide a more convenient interface for the customer: customers will need to contact one company to arrange for service, report service problems, and have billing issues addressed. Full service providers will also provide a clearer source of accountability for service problems. In addition, full service providers will likely provide a better price overall in return for customer commitments to deliver all of their telecommunications business to them.

Not all customers want a single provider for all of their telecommunications service, for customers are a diverse group with diverse needs. For example, some large customers – especially those with in-house telecommunications departments – are very sophisticated and can readily manage a multiple-provider environment. In fact, some very large customers deliberately use multiple providers so that they can play them off against one another to obtain the best prices and terms and to obtain provider diversity. At the other end of the spectrum, small customers with minimal telecommunications needs may be content with their current arrangements.

However, there is a substantial portion of the customer base that would prefer a full service telecommunications offering if that option were available to them. It is to this group that the industry is most recently responding.

To meet the needs of its customers and to be able to participate on a level playing field, Ameritech Michigan will be seeking interLATA authority as soon as possible. Because of the fact that Michigan has been at the forefront in implementing a competitive telecommunications marketplace, Ameritech Michigan believes it is already far along the path toward obtaining interLATA relief, and that Michigan will be one of the first, if not the first, states where interLATA operating authority is granted by the FCC. To that end, Ameritech Michigan is putting into place all of the services, tariffs, contracts, and other capabilities required to satisfy Section 271 of the federal Act.

The federal Act also requires establishment of a separate subsidiary in order for Ameritech to provide interLATA services. This Commission has recently licensed Ameritech Communications, Inc. (ACI) to provide competitive local exchange service (and, consistent with its leadership role, is the first state in the country to so authorize such an entity). Under the provisions of the federal Act, ACI will be able to provide full service offerings, but Ameritech Michigan will not.

Meanwhile, competitors are moving ahead rapidly in Michigan. Since the IXC's already provide interLATA and intraLATA calling services, they are extending their capabilities into the local marketplace. Although there has been no legal prohibition on their provision of local exchange services since 1986, it is only in the last 2 years that carriers like AT&T and MCI have sought licenses to provide local exchange service in the state.

A review of the statutory history in Michigan on local competition is illuminating. In Public Act 305 of 1986, the Legislature clarified that the Commission could grant a license to a provider that sought to provide service in another provider's serving area. Under 1913 PA 206, the legality of such an action was not clear. In Public Act 179 of 1991, known as the Michigan Telecommunications Act (MTA), the Legislature made it clear, and affirmatively

supported, the Commission's granting of a license to competitors for basic local exchange customers. Finally, in the 1995 amendments to the MTA, the Legislature reaffirmed the Commission's granting of such licenses and further clarified that the resale of basic local exchange service required a license from the Commission. The Legislature also created one exception to that new requirement relating to resale of Centrex. Thus, over the past decade, the Commission and the Legislature have made it possible for basic local exchange competition to be authorized. Ameritech Michigan supported each of those developments.

Competitive local exchange companies (like Brooks Fiber, TCG of Detroit, and MFS) are entering into mergers and alliances that will permit them to provide a full range of services. For example, the proposed merger between MFS and LDDS WorldCom will provide each carrier with the capabilities that it needs to become a full service provider. The recently announced merger by MCI and British Telecom creates yet another even more powerful service provider.

There are at least 4 entry options available to companies entering the marketplace for local exchange service. First of all, they can enter on a total facilities basis, installing loops, switches, and transport facilities to provide a full range of local exchange services to customers. This is the principal approach being taken by MFS, TCG, and MCI Metro to date. The CATV industry is also planning to expand into telecommunications services on a facilities basis, using their in-place CATV distribution system (e.g., Continental Cable and Comcast Telephony Communications of Michigan). Wireless carriers also appear to have an interest in the provision of local exchange services beyond traditional mobile applications (e.g., WinStar Wireless).

Second, in the City Signal proceeding (Case No. U-10647), and subsequently in the generic interconnection docket (Case No. U-10860) and in the recent amendments to the MTA, this state has adopted policies requiring the

unbundling of "loops" and "ports" by local exchange providers. With unbundling, competitive carriers can use Ameritech Michigan's in-place loop plant and extend those loops to their own switches. In this arrangement, the competitive carrier provides local dial tone, central office-based features (e.g., custom calling), and all intraLATA and interLATA usage using their own switching facilities. With loop unbundling, carriers may enter on a facilities basis without building any loops of their own. The parties to the City Signal case -- including both Brooks Fiber (formerly City Signal) and AT&T -- took the position that unbundling, along with end office integration, were the critical prerequisites to local exchange competition. Independent telephone companies, such as Climax Telephone, appear to be pursuing this strategy also.

Third, under the FCC's First Report and Order, carriers may recombine facilities and equipment obtained from incumbent local exchange companies (i.e., network elements) to provide end-to-end service. As explained by the FCC, use of unbundled elements presents "different opportunities, risks and costs in connection with entry into local telephone markets" than resale at wholesale rates. (Paragraph 331)

Fourth, carriers can enter on a pure resale basis. In the recent MTA amendments, the Michigan Legislature established requirements for wholesale offerings. Ameritech Michigan has filed implementing tariffs to comply with both the MTA amendments and the federal Act.

Carriers can also employ all of these strategies selectively, depending on the economics of serving various customers and geographic areas.

Ameritech Michigan believes there is an increased sense of urgency over market entry by all participants. Passage of the Telecommunications Act of 1996 made clear that the Regional Bell Operating Companies, such as Ameritech Michigan, will be allowed to enter the long distance marketplace within the

relatively near future once they have satisfied the "checklist" requirements in Section 271(c) of the federal Act. All carriers seem to be accelerating and intensifying their strategies to provide a full complement of services to customers. New alliances and mergers are being announced on a regular basis.

Several providers are marketing and offering their services to local customers in Michigan today, including Brooks Fiber, MFS, TCG, and MCI Metro. Based on the public statements of the other major IXC's, their entry into the local marketplace appears to be imminent. AT&T has stated, for example, that it will be providing local service in Michigan on a resale basis in early 1997.

There is some limited public information available regarding the IXC's' likely marketing strategies. Bundled offers appear to be the linchpin of these strategies. For example, in a September 1996 Special Report to Shareowners, AT&T stated that bundled service offerings are the key to its future. After noting that it has "one of the world's strongest brands," that its marketplace skills "have been honed through competition and change over the last dozen years," and that it has the "largest domestic base of business and residence customers" of any company in the industry, AT&T stated as follows:

"Our strategy is to convert long-distance customers into customers for a broader combination of services, which may include local, on-line, wireless and entertainment delivery services.

We plan to enhance our bundled service by offering a single point of contact, seamless customer care, and one monthly bill for end-to-end services that meet a customer's particular needs and interests."

Even more broadly, AT&T characterized its business strategy as follows:

"We're creating a new global company that people can rely on for a variety of communications and information services - anytime, anywhere. We intend to offer customers as little or as much as they want, in whatever combinations - or 'bundles' - they want."

According to its own public statements, AT&T expects to be very successful in pursuing these strategies. In February of 1996, Joseph P. Nacchio, Executive Vice-President of AT&T's Consumer and Small Business Division, stated to the investment community that once AT&T is able to bundle long distance, local, and entertainment services, it expects to be "number 1 or number 2" in each region it enters for local service. At that time, Mr. Nacchio also cited independent surveys indicating that between 30%-50% of customers would switch to AT&T if they could obtain local and long distance service from the same carrier. More recently, AT&T has consistently stated that it expects to obtain 30% of the local exchange marketplace in the next 5 years.

However, the IXC's do not appear to be contemplating an equal start for all competitors in this new "bundled" marketplace. To the contrary, they appear to be contemplating a significant head start for the IXC's. In remarks delivered on June 11, 1996, to the Sanford Bernstein Strategic Decisions Conference in New York City, AT&T Chairman and CEO Robert E. Allen stated as follows:

"And let me be even more blunt. Most of the Bell companies haven't even begun to meet these [Checklist] requirements. And they show very little inclination to start. So I would advise a dose of healthy skepticism when you hear any of the Bell companies say they're going to enter the long distance market momentarily.

At the rate they're approaching compliance with the competition guidelines, it could well be into the next century before any of them serve their first long distance customer in their own territory.

Meanwhile, AT&T is going after the local service market with everything we've got. We have regional organizations in place and we're using market entry strategies tailored to each region."

Ameritech Michigan believes that such a result, where AT&T and the other IXC's have a significant competitive advantage over Ameritech Michigan, would not be consistent with Congress' purpose in enacting the Telecommunications

Act of 1996. The head start that is sought by the IXC's would not only competitively disadvantage Ameritech Michigan, but would also threaten the interests of the citizens of Michigan in maintaining universal service. Ameritech Michigan will, at least for the foreseeable future, remain the carrier of last resort for many customers in the areas that competitors do not choose to serve.

Congress clearly intended the Telecommunications Act of 1996 to be a procompetitive, deregulatory initiative that would promote more efficient competition across a wide spectrum of telecommunications markets. As the FCC recognized in its First Report and Order implementing the new Act, the telephony provisions have three principal, concurrent goals:

"(1) opening the local exchange and exchange access markets to competitive entry;

(2) promoting increased competition in telecommunications markets that are already open to competition, including the long distance services market; and

(3) reforming our system of universal service so that universal service is preserved and advanced as local exchange and exchange access markets move from monopoly to competition." (Paragraph 3)

As stated by the FCC, the combined effect of these three initiatives is expected to "blur traditional industry distinctions and bring new packages of services, lower prices and increased innovation to American consumers." (Paragraph 4) As further stated by the FCC, "the world envisioned by the 1996 Act is one in which all providers will have new competitive opportunities as well as new competitive challenges." (Paragraph 4)

As a result of all these converging forces, Ameritech Michigan believes it is essential that it move as quickly as possible to bring the full benefits of a competitive marketplace to Michigan customers by requesting interLATA relief from the FCC.

No final decision has been made regarding the precise timing of such a filing. However, the fact that others are already providing full service to customers, and AT&T, with its massive array of resources and marketing ability, has announced that it will turn up local service in Michigan in early 1997, makes it imperative that Ameritech Michigan make its filing as soon as possible.

QUESTION

1. Entities that are licensed to provide:
 - a. Facilities based local exchange service;
 - b. Resold local exchange service.

RESPONSE

See attached charts identifying entities that have received or requested a license to provide basic local exchange service in Michigan. Receiving a license under the Michigan Telecommunications Act (MTA) enables a provider to provide local exchange service via resale, facilities-based, or a combination. Thus, each entity listed, once licensed, may provide both.

RESPONSE TO QUESTION NO. 1

MICHIGAN BASIC LOCAL EXCHANGE LICENSE APPLICATIONS

COMPANY	DATE APPLIED	DATE CERTIFIED	TARIFF/ EFFECTIVE DATE	EXCHANGE SERVICE AREA(S)
Brooks Fiber (US Signal) U-10555	04-05-94	10-12-94	Yes 03-28-95	Grand Rapids District Exchange: Ada, Alto, Byron, Center, Caledonia, Dorr, Dutton, Grand Rapids, Grattan, Hudsonville, Jamestown, Lowell, Marne, Moline, Rockford, Sparta
Brooks Fiber (US Signal) (to amend) U-10884	06-23-95	08-29-95	Amended 07- 23-96 (Holland, Zeeland)	Holland, Zeeland, Traverse City
Brooks Fiber (US Signal) (to amend) U-11095	05-15-96	08-01-96	No	Ann Arbor, Lansing
MCI Metro U-10610	10-03-94	03-29-95	Yes 02-01-96	Ann Arbor, Auburn Heights, Birmingham, Centerline, Detroit, Farmington, Livonia, Mt. Clemens, Mayfair, Northville, Plymouth, Pontiac, Rochester, Roseville, Royal Oak, Southfield, Troy, Utica, Warren, Wayne

RESPONSE TO QUESTION NO. 1

COMPANY	DATE APPLIED	DATE CERTIFIED	TARIFF/ EFFECTIVE DATE	EXCHANGE SERVICE AREA(S)
MFS U-10721	10-24-94	05-09-95	Yes 03-13-96	Ann Arbor, Auburn Hgts, Belleville, Birmingham, Centerline, Detroit, Farmington, Livonia, Northville, Plymouth, Pontiac, Romulus, Royal Oak, Southfield, Troy, Walled Lake, Warren, Wayne, West Bloomfield, Wyandotte, Ypsilanti
MFS U-11160 (to amend)	08-12-96	Pending	No	All exchanges in Michigan currently served by Ameritech and GTE.
Teleport U-10731	11-10-94	04-27-95	Yes 02-08-96	Birmingham, Detroit District Exchange, Southfield
Teleport (to amend) U-11047	02-16-96	04-26-96	No	Farmington, West Bloomfield, Auburn Hgts, Warren, Pontiac, Royal Oak, Plymouth, Centerline, Livonia, Northville, Rochester, Utica, Walled Lake, Ann Arbor, Ypsilanti, Wayne, Troy, Romulus
AT&T U-10845	05-03-95	11-08-95	No	All exchanges in the Grand Rapids LATA currently served by Ameritech and GTE
AT&T (to amend) U-11052	02-28-96	04-26-96	No	All exchanges in the Detroit & Lansing LATAs currently served by Ameritech and GTE

RESPONSE TO QUESTION NO. 1

COMPANY	DATE APPLIED	DATE CERTIFIED	TARIFF/ EFFECTIVE DATE	EXCHANGE SERVICE AREA(S)
AT&T (to amend) U-11169	08-30-96	Pending	No	In combination with U-10845 and U-11052, U-11169 certifies AT&T in all exchanges serviced by AIT-MI & GTE
LCI International U-10992	11-08-95	04-26-96	No	Grand Rapids District Exchange: Ada, Alto, Byron, Center, Caledonia, Dorr, Dutton, Grand Rapids, Grattan, Hudsonville, Jamestown, Lowell, Marne, Moline, Rockford, Sparta, Independent Areas: Allendale, Conklin, Coopersville
Winstar Wireless U-11037	02-13-96	06-26-96	No	Ann Arbor, Armada, Auburn Hills, Belleville, Birmingham, Carleton, Centerline, Clarkston, Commerce, Detroit, Drayton Plains, Farmington, Flat Rock, Holly, Lake Orion, Livonia, Milan, Monroe, Mt. Clemens, New Baltimore, New Boston, New Haven, Northville, Oxford, Plymouth, Pontiac, Rochester, Rockwood, Romeo, Romulus, Roseville, Royal Oak, Southfield, South Lyon, Trenton, Troy, Walled Lake, Warren, Washington, Wayne, West Bloomfield, Willis, Wyandotte, Utica, Ypsilanti

RESPONSE TO QUESTION NO. 1

COMPANY	DATE APPLIED	DATE CERTIFIED	TARIFF/ EFFECTIVE DATE	EXCHANGE SERVICE AREA(S)
ACI U-11053	03-01-96	08-28-96	No	All GTE exchanges in Michigan.
USN Communications U-11085	04-26-96	08-26-96	No	Ann Arbor, Armada, Auburn Hills, Belleville, Birmingham, Carleton, Centerline, Clarkston, Commerce, Detroit, Drayton Plains, Farmington, Flat Rock, Holly, Lake Orion, Livonia, Milan, Monroe, Mt. Clemens, New Baltimore, New Boston, New Haven, Northville, Oxford, Plymouth, Pontiac, Rochester, Rockwood, Romeo, Romulus, Roseville, Royal Oak, Southfield, South Lyon, Trenton, Troy, Walled Lake, Warren, Washington, Wayne, West Bloomfield, Willis, Wyandotte, Utica, Ypsilanti
Continental Cable U-11090	05-09-96	09-12-96	No	Ann Arbor, Belleville, Birmingham, Brighton, Commerce, Detroit, Dexter, Dimondale, Eaton Rapids, Fenton, Holt, Howell, Jackson, Lansing, Livonia, Mason, Northville, Plymouth, Pontiac, Pottersville, Romulus, Roseville, Royal Oak, Southfield, Walled Lake, Wayne, West Bloomfield, Ypsilanti
BRE Communications U-11139	07-18-96	10-24-96	No	Bay City, Clio-Mt. Morris, Fenton, Flint, Flushing, Grand Blanc, Midland, Saginaw District

RESPONSE TO QUESTION NO. 1

COMPANY	DATE APPLIED	DATE CERTIFIED	TARIFF/ EFFECTIVE DATE	EXCHANGE SERVICE AREA(S)
Climax Telephone (to amend) U-11143	07-30-96	10-07-96	No	Kalamazoo, Galesburg, Scotts and Battle Creek
Sprint Communications Company L.P. U-11164	08-16-96	Pending	No	Detroit, Grand Rapids and Lansing LATAs
Comcast Telephony Comm. of Michigan U-11194	09-10-96	Pending	No	Armada, Birch Run, Centerline zone, Commerce zone, Clio-Mt. Morris, Detroit zone, Drayton Plains zone, Fenton, Flint, Flushing, Grand Blanc, Holly, Mt. Clemens, New Haven, Pontiac zone, Rochester zone, Romeo, Roseville zone, Utica, Warren zone, Washington
Comcast Telephony Comm. of Michigan U-11195	09-10-96	Pending	No	Armada, Detroit zone, Flat Rock, Livonia zone, Rockwood, Romulus zone, Trenton zone, Wayne zone, Wyandotte zone
Coast to Coast Tele.	10-14-96	Pending	No	Pontiac District Exchange-Pontiac zone, Detroit District Exchange-Birmingham zone, All geographic areas of Lower Peninsula currently served by Ameritech Michigan
Tele-Phone- Communications Inc.	10-25-96	Pending	No	Detroit District Exchange

QUESTION

2. With respect to the entities identified in Number 1, whether such entities are providing:
- a. Residential Exchange Service;
 - b. Business Exchange Service;
 - c. Residential Exchange Access Service (switched or special);
 - d. Business Exchange Access Service (switched or special).

If the entities (competitors) are not currently providing any of the above identified services, have any announcements been made of it and when such service will be offered.

RESPONSE

Initially, Ameritech Michigan would note that it has limited information available concerning the services which are offered by competitors to their customers. Obviously, the best source of detailed information concerning the services provided by Ameritech Michigan's competitors to their customers is from those competing providers themselves. Most, if not all, of those competing providers have chosen to participate in this proceeding and have filed a notice of interest. Ameritech Michigan respectfully suggests that to supplement the information provided herein, the Commission direct inquiries to the providers participating in this proceeding concerning the information requested in Attachment A.

With regard to the entities identified in Ameritech Michigan's response to Question 1, all providers of basic local exchange service in Michigan are required to provide both residential and business basic local exchange service in accordance with the requirements of Section 302(1)(a) of the MTA (and the MPSC approving a license) which requires, as a condition of licensure, that an applicant possess sufficient technical, financial, and managerial resources and abilities to provide basic local exchange service to every person within the geographic area of the license. To the best of Ameritech Michigan's knowledge, no provider has either requested nor received permission from the Commission to refuse to provide residential basic local exchange service, although some providers have indicated their intention to focus their marketing efforts on business customers. Thus, once a provider has received a license and its tariff has become effective, it is legally providing residence and business exchange services.

Ameritech Michigan believes that all of the entities identified in Question 1 are or will be providing both special and switched access services to customers in Michigan. No license is required under the MTA to provide access service. To the extent that a provider is providing basic local exchange service, a provider would also, of necessity, be providing switched access services for the customers it serves, both business and residential. (To the best of Ameritech Michigan's knowledge, there is generally no distinction made by providers between business and residential service in the context of access services.) With regard to special access services, such services may not, in some instances, be subject to tariff requirements, and therefore, Ameritech Michigan would not have available to it information to answer this inquiry with certainty.

The attached chart lists the competing local exchange carriers (CLECs) that are licensed to provide exchange services in Michigan. The chart shows: (1) the status of each company's local exchange service offering; (2) the status of each company's access services; and (3) whether each of the companies has made any public announcements about its services. A "Y" in the local exchange services columns means that Ameritech has evidence that the company is offering exchange services. A "Y" in the access services columns means that Ameritech has evidence that the company is offering access services, either switched or special. Finally, a "Y" in the announcements column means that the company has publicly stated its intentions about local exchange or access services. Some examples of these announcements (in the form of advertisements or news stories) are attached.

In addition to the information provided in the chart, the following is additional, specific information on providers licensed in Michigan.

AT&T. AT&T is the world's largest provider of long distance service. In Michigan, in addition to long distance services, AT&T provides switched and special access services to businesses. As the attached chart shows, the company does not currently offer local exchange services (to the best of Ameritech's knowledge). The company has announced its intentions to offer local service in the near future. Also attached are advertisements and news stories to that effect.

Attached is an AT&T advertisement entitled "*Choice is Grand,*" touting the company's local exchange service. The second page, titled "*You Want it All Within Your Reach?*" is from the company's internet site and says that "you want one company for your local and long distance phone service," which is an announced intention of local service.

BRE. BRE (d/b/a Phone Michigan) is licensed to provide local exchange service on a resale and facilities-based basis, but to date, does not appear to have done so.

Brooks Fiber. Brooks currently provides local exchange service to business and residential customers in Michigan. Brooks currently leases business and residential unbundled loops from Ameritech. Brooks also provides both switched and special access services and has access tariffs on file with the FCC. The attached advertisement, titled *"You, too, Can Benefit from Local Phone Service Competition,"* touts the firm's business services. According to an attached financial release, Brooks currently serves 8,533 business exchange lines and 3,621 residential exchange lines.

Continental. The attached news article, titled *"Cable Company to Offer Phone Package Deals,"* says that "[in 1997], Continental Cablevision will begin providing local phone service to residential and business customers in 44 Michigan communities, half of them in the tri-county area." However, Ameritech has no firm evidence that the company currently provides local exchange service.

Climax. Climax was the first incumbent independent local exchange company in Michigan to seek expansion of its license territory for purposes of offering competing local exchange service. Climax today offers both business and residence local exchange service within its originally licensed incumbent territory and also provides both switched and special access services. To date, Ameritech has no specific information on whether Climax is offering local exchange or access service outside of its originally licensed incumbent exchanges.

LCI. LCI purchased Teledial from City Signal (d/b/a Brooks Fiber). LCI is primarily a long distance provider, but the news story in the attached says "we do intend to provide local service in Michigan, certainly in the Detroit area."

MCI. MCI is the second largest long distance provider in the country. MCI Metro has switched and special access tariffs on file with the FCC. MCI Metro currently has obtained end office integration trunks in the Detroit area from Ameritech for the purpose of exchanging local traffic and is offering local exchange service to Detroit businesses (especially those whose buildings are on the company's SONET network). The attached news article, entitled *"MCI is Eager to Expand in Metro Detroit,"* describes the company's efforts in Detroit. MCI Metro may be offering local exchange service through its own loops, and Ameritech Michigan would have no way to know whether the company offered residential service.

MFS/Worldcom. MFS/Worldcom is the fourth largest facilities-based long distance company in the U.S. MFS has special and switched access tariffs on file with the FCC. MFS offers local exchange service in Michigan today. Although it focuses primarily on business customers, MFS may be serving some residential customers.

TCG. TCG offers local telephone service directly to business customers. TCG may also be providing service to some residential customers in Michigan. TCG has

switched and special access tariffs on file with the FCC. The attached letter from account executive Ginny Papper says that "TCG is an alternative to Ameritech for local phone service."

WinStar. In addition to its licensed local exchange service, WinStar appears to act as a wholesaler by providing a wireless alternative to Ameritech's local loop.

In connection with its sales contacts with its customers, Ameritech Michigan has received information concerning competitive bids primarily offered by Brooks Fiber, TCG, MFS, and MCI Metro. These competitive offers are targeted to medium to large business customers in the metropolitan areas. The competitive offers include local access lines, usage, dedicated services, and features. Ameritech Michigan has documented information about these competitive offers to customers such as large banking institutions, industrial and manufacturing companies, publishing companies, service companies, large retailers, packaging companies, newspaper publishers, school districts, and various facets of the automotive industry, including dealerships, manufacturers, and suppliers. The fact that such competitive offers are being made, that competitors are actively pursuing customers in their targeted markets, and that these customers have choices available to them is relevant to the Commission's inquiry into the general market conditions for telecommunications services in Michigan.

In addition, see various announcements and advertisements of competitors included in the response to Question 6 concerning services offered by such competitors.

Response To Question 2

Services Offered by CLECs

Company	Exchange Services		Access Services		Announcements Made?
	Business	Residence	Switched	Special	
AT&T			Y	Y	Y (a)
BRE (Phone Michigan)					
Brooks Fiber	Y	Y	Y	Y	Y
Continental	(b)	(b)			Y (b)
Climax	Y	Y	Y	Y	Y
LCI					Y
MCI	Y		Y	Y	Y
MFS/Worldcom	Y		Y	Y	Y
TCG	Y		Y	Y	Y
WinStar	(c)	(c)			Y
ACI					

NOTES:

- (a) Announcements made to provide business and residence exchange service.
- (b) Announced local service for 1st quarter 1997.
- (c) May be providing wholesale of wireless loops to other service providers.

The Grand Rapids Press, May 9, 1985, Page D5

Choice is great.

Choice is great.

Choice is Grand

We want Grand Rapids to be one of the first cities in the region to have AT&T as a choice for local calls.

Western Michigan may be one of the first areas in the nation to have a choice to use AT&T for local calls. And, we all know choice in long-distance has brought better service, lower rates and better value. It will take a little time to get things in place here, it is our hope, that in the near future the company that now connects you to people around the world will be able to connect you to people around the corner.

For local calls, too



AT&T

Your Two Choices



You want it all within your reach? You got it.

You want to be able to communicate with anyone, anywhere, at any time.

At home or at the office. You want the whole world at your fingertips.

Easy and secure access to the Internet, on-line transactions,
wireless communications and entertainment beamed right into your home.

You want one company for your local and long distance phone service.

And one bill.

You want more choices serving you around the corner and around the world.

And attractive prices.

Not to mention superior customer service at all times.

Thanks to the new telecommunications law, the possibilities are limitless.

And we're now free to bring them to you.

